

CITY OF MOUNTLAKE TERRACE
Snohomish County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. City Officials Should Strengthen Internal Accounting And Administrative Controls

During our audit of the fixed assets, purchasing, and accounts payable accounting and administrative systems, we noted internal control weakness which, in our judgment, could adversely affect the city's ability to record and report financial transactions consistent with management assertions in the financial statements.

a. Fixed Assets

The city's finance department has developed a fixed asset policy which should ensure accountability for fixed assets. However, the policy has not been fully implemented and is not consistently followed by all departments. Therefore, city officials could not ensure the accountability for all existing assets, transfers, disposals and capital acquisitions, including those purchased with state or federal funds, if any.

b. Purchasing and Accounts Payable

The city's finance department has developed procedures to govern the purchasing and accounts payable systems, however, these procedures were not designed to document the following:

- (1) Purchases have been authorized by the appropriate personnel prior to placing orders.
- (2) Personnel authorized to approve purchases have assigned the appropriate account code and reviewed for budget capacity prior to approval of purchase of purchase orders.
- (3) Evidence of receipt of goods or services as ordered. Initials and dates of personnel receiving goods or services was not consistently evident on packing slips or invoices.

RCW 43.09.200 Division of Municipal Corporations - Uniform System of Accounting states in part:

... The accounts shall show the receipt, use and disposition of all public property, and the income, if any derived therefrom; all sources of public income, and the amount due and received from each source; all receipts, vouchers, and other documents kept or required to be kept, necessary to isolate and prove the validity of every transaction

We recommend city officials establish and maintain strong internal accounting and administrative controls over the fixed assets, purchasing, and accounts payable systems.

